

# SBWL Finance: Markets, Institutions & Instruments

## Guideline

Institute for Finance, Banking and Insurance

**Start in Winter Semester 2020/21**

In the specialization **Finance: Markets, Institutions & Instruments** students gain an understanding about the economic mechanisms that drive financial markets, their instruments and value added. By learning the methods of finance students of this specialization acquire the competence to discuss, analyze, and solve financial issues related to decision-making of households, investors, corporations, financial institutions, and financial market regulators. Graduates master state-of-the-art models for investment decisions and for the pricing and management of portfolio risks, including stocks, bonds, and derivative securities.

Students obtain practically relevant qualifications based on a sound methodological background, qualifying them for expert and management careers in all areas of financial markets. Moreover, graduates of this specialization qualify for elite master programs in finance worldwide.

The specialization is designed to attract students with a genuine interest in economics and finance who have the capabilities to

- understand the relevance of financial statements and contracts
- structure questions related to financial decision making
- develop solutions based on analytical methods and economic reasoning

The specialization is taught in English, starts in the winter semester 2020/21 and can be chosen by students of the following Bachelor's programs:

- Bachelor **Business, Economics and Social Sciences**
- Bachelor **Business Law**
- Bachelor **Business and Economics**

## 1. Admission

The specific requirements for admission to a specialization are stated in the Bachelor program's curricula.

In addition, there is a selection procedure for the specialization Finance: Markets, Institutions & Instruments. To participate in that selection procedure, you have to register for the course ET „Access to Specialization in Business Administration: Finance: Markets, Institutions & Instruments“ by signing up on LPIS with the corresponding course number. Please see the online course catalog for the course number as well as the registration period. The results of the selection procedure are emailed to students by the end of September or February.

Each semester, we offer 300 places (repeaters and “Studienfortschrittskontingent” - admission quota for advanced students - included) to students with the highest overall GPA.

Please note that after being admitted to the specialization you have to register for at least one course in the following semester. Otherwise you will have to participate in the selection process again. In case you fail any course, you will have the opportunity to repeat the course in the subsequent semester without having to participate in the selection process again (this applies only to the subsequent semester).

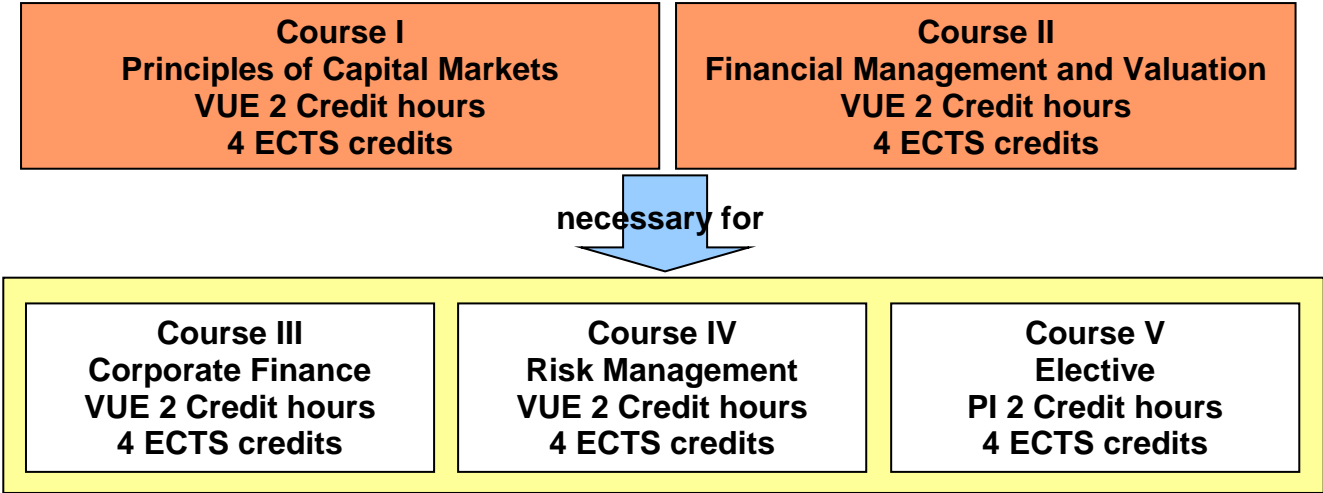
## 2. Structure

The specialization consists of five courses:

- I. Principles of Capital Markets
- II. Financial Management and Valuation
- III. Corporate Finance
- IV. Risk Management
- V. Elective Course

Courses I to IV are VUE - lectures with interactive elements. Course V is PI – a course with continuous assessment of student’s performance.

The successful completion of courses I and II is the prerequisite for admission to courses III, IV, and V.



All five courses of the specialization are offered each semester. Courses I and II start in winter semester 2020/21. Courses III, IV and V start in summer semester 2021. Registration for all five courses of the specialization is based on the first come-first serve principle. Please see the online course catalog for the registration periods.

**Courses I to IV** are split into a lecture part and an interactive (“exercise”) part. The interactive parts are held in small groups of 30. One lecture part is held for each course.

Courses will be held in half semesters with the final exams taking place in the second and third examination week.

- The lecture and exercise units of courses I and III are taught in the first half semester. The exams of courses I and III take place in the second examination week.
- The lecture and exercise units of courses II and IV are taught in the second half semester. The exams of courses II and IV take place in the third examination week.

### 3. Content and Information

The focus of the specialization is on understanding the economic mechanisms that drive financial markets, their instruments, and value added. Students learn the methods of finance for investment decisions, pricing and management of financial risks. Thereby they acquire the competence to discuss, analyze, and solve financial issues related to decision-making of households, investors, corporations, financial institutions, and financial market regulators.

Courses I to IV are based on the textbook “Financial Markets and Corporate Strategy” by Hillier, Grinblatt & Titman, 2<sup>nd</sup> European Edition.

#### 3.1. Course I – Principles of Capital Markets

The objective of Course I is to provide an introduction finance including decision making of investors, diversification through capital markets, portfolio management, and pricing of financial assets.

The course is based on Chapters 1-6 of the textbook (Hillier et. al.):

- Decision Theory under uncertainty
- Measurement of risk
- Portfolio theory
- Capital Asset Pricing Model
- Factor models

#### 3.2. Course II – Financial Management and Valuation

The objective of Course II is to understand how a firm should value risky projects and choose projects, i.e. allocate capital, in line with its corporate strategy.

The course is based on Chapters 7, 8, 11, and 12 of the textbook (Hillier et. al.):

- Binomial pricing models and risk-neutral valuation
- Binomial option valuation
- Black-Scholes valuation and Greeks
- Investing in risky projects
- Allocating capital and corporate strategy

#### 3.3. Course III – Corporate Finance

The objective of Course III is to understand how a corporation should finance its investment projects, what the optimal capital structure depends upon, and how it affects firm value.

The course is based on Chapters 13-18 of the textbook (Hillier et. al.):

- Irrelevance of capital structure (Modigliani-Miller Theorem)
- Relevance of capital structure under frictions
  - corporate taxes
  - financial distress of corporations

- agency conflicts between debtholders, shareholders, and management of a corporation
- informational frictions about firm value

### 3.4. Course IV – Risk Management

The objective of Course IV is to understand why and how a corporation should manage its exposure to risk.

The course is based on Chapters 21-23 of the textbook (Hillier et. al.) and additional readings:

- Risk Measures
- Relevance of risk management
- Credit risk management
- Interest rate risk management
- Foreign exchange risk management

### 3.5. Course V - Elective

The successful completion of courses I and II is the prerequisite for admission to course V. Course V is a PI – a course with continuous assessment of student performance. We offer 8-10 different courses each semester. Please see the course catalog <http://vvz.wu.ac.at/cgi-bin/vvz.pl?C=U;P=6079;F=640;LV=5;L2=46;L3=45001;L4=45037;L5=45037;LF=640;SP=46> for further details.

### 3.6. Recommended Order of Study

First Semester	First half semester	Course I
	Second half semester	Course II
Second Semester	First half semester	Course III
	Second half semester	Course IV
Third Semester		Course V

## 4. Bachelor Thesis

The Institute for Finance, Banking and Insurance only supervises the bachelor thesis of students who successfully completed courses I and II of the Finance specialization. Further details will be announced later.

## 5. Master Programs in Finance

The Institute for Finance, Banking and Insurance offers two Master programs:

- **Finance and Accounting (German)** – in cooperation with the Institute for Accounting and Auditing  
For this Master program, we highly recommend that Bachelor students select the specialization *International Accounting & Controlling* or *Rechnungslegung und Steuerlehre* as a second specialization.

- **Quantitative Finance** (English) – in cooperation with the Institute for Statistics and Mathematics

For this Master program, we highly recommend that Bachelor students select the specialization *Business Mathematics* as a second specialization. Students have to apply for admission to this Master program by proving their aptitude and showing their achievement potential (GMAT, GRE, recommendations ...).

## 6. Job profile

Graduates of the specialization are qualified for expert and management careers in all areas of financial markets

- Financial institutions
  - commercial and investment banks
  - investment companies
  - securities trading
  - investment advisory
  - insurance companies
  - pension funds
- Finance and Accounting divisions of corporations (treasury / controlling, risk management)
- Consulting (investment, asset, and financing)
- Public sector (budget, controlling)
- Financial market regulators

Graduates of the specialization qualify for elite master programs in finance worldwide.

May 2020

**Subject to change!**